

OUTGOING MESSAGE

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Item No 3
SUBJECT: RUMORS THAT LIBYA MAY SUSPEND ITS WAR AID TO EGYPT
MAY HAVE SOME VALIDITY

ACCORDING TO BAGHDAD RADIO, PRIME MINISTER JALLUD WILL HOLD A MAJOR PRESS CONFERENCE THIS EVENING AND DIPLOMATIC CIRCLES IN TRIPOLI ARE PREDICTING THAT HE WILL ANNOUNCE THE WITHDRAWAL OF LIBYA'S ANNUAL KHARTOUM PAYMENTS OF \$54 MILLION TO CAIRO.

THESE PAYMENTS WERE ORIGINALLY PART OF AN OVERALL AGREEMENT REACHED AT THE KHARTOUM CONFERENCE FOLLOWING THE 1967 WAR WHEREBY THE OIL-RICH ARAB GOVERNMENTS AGREED TO COMPENSATE THE FRONTLINE STATES FOR THEIR WAR LOSSES. IN EGYPT'S CASE, THIS COMMITMENT WAS GENERALLY INTERPRETED AS THE REPLACEMENT OF THE SUEZ CANAL DUES UNTIL THE WATERWAY COULD BE REOPENED. SINCE PLANS FOR THE LIBYAN-EGYPTIAN UNION WENT INTO TROUBLE LAST SUMMER, TRIPOLI'S CONTRIBUTION TO CAIRO HAS BEEN UNRELIABLE AT BEST.

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A RECENT ARTICLE IN A SEMI-OFFICIAL LIBYAN NEWSPAPER HINTED THAT LIBYA'S OBLIGATION TO REPLACE EGYPT'S WAR LOSSES STOPPED AS SOON AS CAIRO MADE ITS DECISION TO NEGOTIATE WITH ISRAEL. THE ARTICLE ALSO STATED THAT THERE IS NOW LITTLE JUSTIFICATION FOR THE "LIBERATION" HEAD TAX--A NATIONWIDE TAX WHICH WAS USED TO SUPPORT THE RECENT WAR EFFORT AND MAYBEHAVE ALSO FINANCED CERTAIN FEDAYEEN GROUPS.

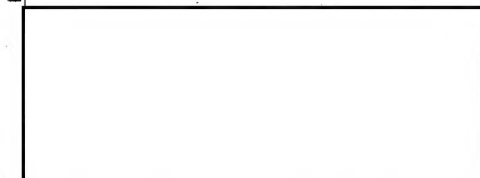
THE SUSPENSION OF THE KHARTOUM PAYMENTS WOULD COME AS LITTLE SURPRISE TO THE EGYPTIANS WHO ARE USED TO RECEIVING THE LIBYAN SUBSIDY VERY LATE OR NOT AT ALL. HOWEVER, A PUBLIC ANNOUNCEMENT OF THE SUSPENSION WOULD SERIOUSLY TEST THE ALREADY STRAINED RELATIONS BETWEEN LIBYA AND EGYPT. SUCH AN ANNOUNCEMENT WOULD ALSO SERVE AS A STRONG WARNING TO FEDAYEEN LEADERS THAT TRIPOLI WILL NOT SUPPORT PALESTINIAN GROUPS WHICH OPT TO GO TO THE NEGOTIATING TABLE.

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